

EXECUTIVE SECRETARIAT

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Executive Secretary
5/23/83
Date

THE WHITE HOUSE
WASHINGTON

Executive Registry

83-2699

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 5/20/83 NUMBER: 118700CA DUE BY: _____SUBJECT: Cabinet Council on Economic Affairs - Tuesday, May 24, 19839:00 a.m. in the Roosevelt Room

| | ACTION | FYI | | ACTION | FYI |
|----------------------------|-------------------------------------|-------------------------------------|---------------------------------|-------------------------------------|-------------------------------------|
| ALL CABINET MEMBERS | <input type="checkbox"/> | <input type="checkbox"/> | Baker | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Vice President | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Deaver | <input type="checkbox"/> | <input type="checkbox"/> |
| State | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Clark | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Treasury | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Darman (For WH Staffing) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Defense | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Harper | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Attorney General | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Jenkins | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Interior | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Agriculture | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Commerce | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Labor | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| HHS | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| HUD | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Transportation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Energy | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Education | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| Counsellor | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| OMB | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| CIA | <input type="checkbox"/> | <input checked="" type="checkbox"/> | CCCT/Gunn | <input type="checkbox"/> | <input type="checkbox"/> |
| UN | <input type="checkbox"/> | <input checked="" type="checkbox"/> | CCEA/Porter | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| USTR | <input checked="" type="checkbox"/> | <input type="checkbox"/> | CCFA/Boggs | <input type="checkbox"/> | <input type="checkbox"/> |
| CEA | <input checked="" type="checkbox"/> | <input type="checkbox"/> | CCHR/Carleson | <input type="checkbox"/> | <input type="checkbox"/> |
| CEQ | <input type="checkbox"/> | <input type="checkbox"/> | CCLP/Uhlmann | <input type="checkbox"/> | <input type="checkbox"/> |
| OSTP | <input type="checkbox"/> | <input type="checkbox"/> | CCMA/Bledsoe | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | CCNRE/Boggs | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | | | |

REMARKS:

The Cabinet Council on Economic Affairs will meet on Tuesday, May 24, 1983 at 9:00 a.m. in the Roosevelt Room. The agenda and background papers are attached.

RETURN TO:

☐ **Craig L. Fuller**
Assistant to the President
for Cabinet Affairs
456-2823

☒ **Becky Norton Dunlop**
Director, Office of
Cabinet Affairs
456-2800

DCI
EXEC
REG

THE WHITE HOUSE
WASHINGTON

May 20, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*

SUBJECT: Agenda and Papers for the May 24 Meeting

The agenda and papers for the May 24 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 9:00 a.m. in the Roosevelt Room.

The first agenda item is a report from the National Productivity Advisory Committee. A memorandum on their recommendation for establishing a National Medal for Productivity Achievement is attached.

The second agenda item is the economic impact of disinflation on Federal cost of living adjustments. A paper, prepared by the Office of Management and Budget, is attached.

The third agenda item is a briefing on the Williamsburg Economic Summit. Secretary Regan has asked Allen Wallis to brief the Council on the principal issues that will be discussed at the Conference and the approach the U.S. will take on these issues.

Attachments

THE WHITE HOUSE
WASHINGTON

THE CABINET COUNCIL ON ECONOMIC AFFAIRS

May 24, 1983

9:00 a.m.

Roosevelt Room

AGENDA

1. Report of the National Productivity Advisory Committee (CM#255)
2. Impact of Disinflation on COLAs (CM#030)
3. Economic Summit Briefing (CM#369)

THE WHITE HOUSE
WASHINGTON

January 14, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: THE NATIONAL PRODUCTIVITY ADVISORY COMMITTEE

SUBJECT: National Medal for Productivity Achievement

This is the nineteenth in a series of memorandums reporting the recommendations of the National Productivity Advisory Committee for specific actions the government can take to increase productivity.

Recommendation #44: The Committee recommends establishing a National Medal for Productivity Achievement that the President would award annually to recognize significant productivity achievements by organizations. The President should appoint a Commission for the National Medal for Productivity Achievement to develop the criteria and rules for awarding the Medal and to govern the selection of the recipients.

Currently there is no national recognition for outstanding contributions made by organizations to increasing the productivity of the U.S. economy. The Committee believes that recognizing extraordinary productivity achievement will stimulate interest in striving for productivity growth, as such awards have done in other areas:

- o The National Medal of Science awards a presidential citation to individuals for their outstanding contribution in engineering and sciences.
- o The National Technology Medal provides presidential recognition to individuals or companies for exceptional contributions to the promotion of technology.
- o The Defense Department "E" Awards have been successful in recognizing meritorious performance among Defense firms.
- o The Department of Commerce Export Awards have generated competition among U.S. companies for recognition of excellence in exporting.

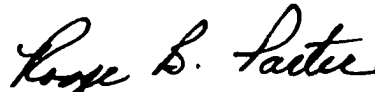
- 2 -

The use of similar awards in other countries also has been successful. The Deming Medal Award to Japanese companies has been credited as a significant influence in stimulating the high quality of Japanese products. In Great Britain, a Royal Commission concluded that the Queen's Award for Technological Achievement has been a highly effective stimulant for promoting management excellence.

Accordingly, the Committee believes that the achievement of exceptionally high levels of productivity growth by U.S. employees, especially those leading to increases in international competitiveness, should be recognized nationally. A Presidential National Medal for Productivity Achievement would lend prestige and distinction to the receiving organization and, at the same time, would promote the awareness of the importance of productivity in advancing the standard of living in the United States.

The criteria and rules for awarding the National Medal for Productivity Achievement, as well as the actual selection of candidates to receive the award, should be governed by a National Commission. After such a Commission is appointed, the role of the Federal Government largely will be ceremonial and administrative. The President would make the awards and in doing so lend the prestige of his office and signal the importance that he attaches to productivity as a matter of critical economic concern. In addition, the Department of Commerce would provide administrative assistance to the National Commission.

If the Cabinet Council on Economic Affairs and the President approve the establishment of a National Medal for Productivity Achievement, the National Productivity Advisory Committee suggests that it appoint from among its own members an initial special task force to assist in developing a charter, objectives, award process, selection criteria, and administrative procedures for the Medal. An outline of topics that would need to be considered in chartering the National Medal is attached as further background for the Cabinet Council. This outline is illustrative only and has not been approved formally by the Committee.



Roger B. Porter
Executive Secretary

Attachment

THE WHITE HOUSE

WASHINGTON

May 20, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*
SUBJECT: Summary of Indexed Programs

At the February 25 CCEA meeting the Council discussed the impact of the current low rate of inflation on the various cost-of-living benefit increases scheduled for this summer in a number of federal programs. Since there are different cost-of-living adjustments (COLAs) for different federal programs and several of the COLAs may be affected by legislation currently pending in the Congress, the Chairman Pro Tempore requested the Office of Management and Budget to prepare an analysis of the impact of disinflation on COLA increases.

A paper, prepared by Lawrence Kudlow, summarizing the costs of base programs covered by the COLA formulas and the trends projected under the President's budget for fiscal years 1983 - 1988 is attached. The paper suggests there is, at best, a very indirect relationship between short-run changes in inflation and projected COLA costs.

SUMMARY OF INDEXED FEDERAL PROGRAMS

- o The following tables provide a summary of the costs of the base of programs covered by Cost-of-Living (COLA) formulas, and the trends projected under the President's budget for FY's 1983-88.
- o It is important to note that many of these programs have unique COLA formulas; not all programs are indexed to the CPI. For example, while Social Security is indexed to the aggregate CPI-W, the Food Stamp program is indexed to the food component of the CPI-U. School lunches, by contrast, are indexed to the "food away from home" index.
- o The formulas, moreover, reflect different index computation periods, and different COLA anniversary dates. And there is as much as an 18-month lag between actual changes in the inflation indices and changes in the COLA amounts. Hence, inflation in one fiscal year often influences COLAs only in later fiscal years.
- o All of these reasons explain why there is, at best, only a very indirect relationship between short-run changes in inflation and projected COLA costs.
- o Moreover, the effect on the overall budget due to reduced COLA costs is, today, much less than in previous periods. For example, in July, 1980, the Social Security COLA increase was 14.3%. A twenty-five percent reduction in the rate of inflation would have saved nearly 3.6% of base program costs. By contrast, with a 4% inflation rate, a comparable reduction will save only 1% of program costs.

INDEXED PROGRAM BASE IN FEDERAL BUDGET AND IMPACT OF LOWER INFLATION RATE
: (outlays; in billions of dollars)

| <u>Budget measure</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> | <u>Total 1983-88</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------------------|
| <u>Current Services program base without COLA</u> | | | | | | | |
| 1) Social security..... | 168.3 | 171.4 | 176.3 | 181.1 | 186.0 | 190.8 | 1,073.8 |
| 2) Civil service..... | 21.1 | 22.5 | 23.3 | 24.2 | 25.3 | 26.4 | 142.8 |
| 3) Military retirement..... | 16.1 | 16.8 | 17.1 | 17.6 | 18.1 | 18.7 | 104.4 |
| 4) Railroad retirement..... | 6.1 | 5.5 | 4.7 | 5.4 | 4.9 | 5.4 | 32.0 |
| 5) Veterans..... | 13.6 | 13.6 | 13.6 | 13.5 | 13.5 | 13.4 | 81.2 |
| 6) SSI..... | 8.6 | 7.1 | 7.5 | 7.4 | 7.3 | 8.0 | 46.0 |
| 7) Child nutrition and food stamps..... | 15.2 | 14.7 | 14.3 | 14.0 | 13.8 | 13.5 | 85.4 |
| 8) All other..... | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> | <u>0.3</u> | <u>0.3</u> | <u>2.3</u> |
| 9) Total..... | 249.5 | 251.9 | 257.1 | 263.6 | 269.2 | 276.6 | 1,567.9 |
| <u>COLA increase amount (cumulative)</u> | | | | | | | |
| 10) Current services..... | 2.2 | 13.2 | 25.9 | 39.5 | 54.0 | 69.0 | 203.8 |
| 11) President's budget policy..... | 0.1 | 7.8 | 18.4 | 31.5 | 45.3 | 59.4 | 162.6 |

INDEXED PROGRAM BASE IN FEDERAL BUDGET AND IMPACT OF LOWER INFLATION RATE (Continued)
(outlays; in billions of dollars)

| <u>Budget measure</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> | <u>Total 1983-88</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------------------|
| <u>Impact of Lower Inflation</u> | | | | | | | |
| o Sustained 1% lower inflation rate beginning January 1983: | | | | | | | |
| 12) Current services..... | -0.1 | -1.0 | -3.5 | -6.4 | -9.5 | -12.9 | -33.4 |
| 13) President's budget..... | --- | -0.5 | -2.4 | -5.2 | -8.3 | -11.6 | -28.9 |
| o Sustained 1% lower inflation rate beginning July 1983: | | | | | | | |
| 14) Current services..... | --- | -0.4 | -2.3 | -5.3 | -8.4 | -11.9 | -28.3 |
| 15) President's budget..... | --- | --- | -1.3 | -4.0 | -7.1 | -10.4 | -22.8 |
| o One-time drop in price level occurring January 1983: | | | | | | | |
| 16) Current services..... | -0.5 | -2.1 | -2.4 | -2.4 | -2.4 | -2.5 | -12.3 |
| 17) President's budget..... | --- | -1.4 | -2.0 | -2.1 | -2.1 | -2.2 | -9.8 |
| o One-time drop in price level occurring July 1983: | | | | | | | |
| 18) Current services..... | --- | -0.7 | -2.5 | -2.5 | -2.6 | -2.6 | -10.9 |
| 19) President's budget..... | --- | --- | -1.6 | -2.2 | -2.2 | -2.3 | -8.3 |

Attachment 1

COST-OF-LIVING ADJUSTMENT MECHANISMS IN MAJOR INDEXED PROGRAMS

| Program and FY 1982 Outlays (dollar amounts in billions) | Indexed Item | Index Measure | Calculation Period | Effective Date | Minimum Index Increase Required to Trigger COLA | Special Provisions |
|---|-----------------|-----------------------|--|--|--|---|
| Social Security (OASDI) (\$154.1) | Benefit | CPI-W (Non-SA) | Existing Law: First Quarter over Preceding First Quarter | Existing Law: July | 3.0% | |
| Supplemental Security Income (SSI) (\$7.7) | | | Proposed Law: COLAs occurring on or after 1/1/85: Third Quarter over Preceding Third Quarter | Proposed Law: January | 3.0% | |
| Railroad Retirement Benefits (RRB) (\$3.9) | | | | | | RRB Tier II Benefits are indexed to 32.5% of CPI-W increase |
| Veterans Pensions (\$3.9) | | | | | | |
| Military Retirement (\$14.9) | Benefit | CPI-W (Non- SA) | December over preceding December | Existing Law: April 1983, May 1984, June 1985 March there- after | None, but benefit increase must be at least \$1.00 | Existing law: COLAs for Non-disabled retirees are limited to 3.3% in 1983, 3.6% in 1984, and 3.3% in 1985 unless actual full COLAs exceed 6.6% in 1983, 7.2% in 1984, and 6.6% in 1985. The amount by which the actual COLAs exceed these percentages would then be added to the 3.3% and 3.6% floors. Civilian retirees receive COLA increase one month later than military. |
| Civil Service Retirement (\$19.5) | | | | Proposed Law: April 1983, No COLA 1984, June 1985, March there- after | | |
| Foreign Service Retirement (\$0.2) | | | | | | |
| Coast Guard Retirement (\$0.3) | | | | | | |
| Public Health Service Retirement (\$0.1) | | | | | | Proposed Law: Retirees under age 62 would continue to receive reduced COLAs after 1985. The reduced COLAs would be equal to one-half of the full COLA given to retirees over age 62 or disabled. |

COST-OF-LIVING ADJUSTMENT MECHANISMS IN MAJOR INDEXED PROGRAMS (CONT.)

| Program and FY 1982 Outlays (dollar amounts in billions) | Indexed Item | Index Measure | Calculation Period | Effective Date | Minimum Index Increase Required to Trigger COLA | Special Provisions |
|---|-----------------------------|---|---|---|--|--|
| Federal Employees Compensation (FECA) (\$0.3) | Benefit | CPI-W (Non- SA) | December over preceding December | Existing Law: March Proposed Law: No COLA in 1984. March thereafter | None | Minimum benefit - 75% of GS-2, Step 1 Maximum benefit - 75% of GS-15, Step 10 |
| Black Lung and Disabled Coal Miners (\$2.0) | Benefit | Federal pay in- crease for GS-2 | Automatically increases when when Federal salaries increase | Existing Law: October Proposed Law: No increase in 1984. October thereafter. | None | |
| Food Stamps (\$11.0) | Allot- ment | Thrifty Food Plan (Round- ed down to whole digit) | June over preceding June | Existing Law: October Proposed Law: April | None | For the October 1983 and October 1984 COLAs, 99% of the Thrifty Food Plan Index level is used (also rounded down). |
| Child nutrition (\$3.0) | Pay- ment per meal | CPI-U for Food Away From Home | May over preceding May | Existing Law: July Proposed Law: January | None | |

NOTE: Other major benefit programs that are not automatically indexed under existing law, but that generally have benefits increased as a result of inflation: medicare (\$46.6), medicaid (\$17.4), AFDC (\$8.0), Veterans Compensation (\$9.3), and agricultural price supports -- CCC (\$11.7).

* \$50 million or less.